

Message Text

LIMITED OFFICIAL USE

PAGE 01 OECD P 14970 01 OF 02 102207Z

72

ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

EA-06 FRB-03 INR-07 IO-10 NEA-10 NSAE-00 OPIC-03

SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01 OMB-01 FEA-01

AGR-05 DODE-00 H-02 INT-05 L-03 NSC-05 PA-01 SS-15

STR-04 TAR-01 USIA-06 PRS-01 /123 W

----- 122351

R 102155Z JUN 75

FM USMISSION OECD PARIS

TO SECSTATE WASH DC 7473

INFO AMEMBASSY VIENNA

LIMITED OFFICIAL USE SECTION 01 OF 02 OECD PARIS 14970

E.O.11652: N/A

TAGS: ECON, OECD

SUBJECT: RESULTS OF EDRC REVIEW OF AUSTRIA, JUNE 5

REFS: (A) USOECD 13812

(B) OECD DOCUMENT EDR(75)12

1. SUMMARY: AUSTRIAN DELEGATION, LED BY GEHR OF FEDERAL CHANCELLERY, AGREED WITH SECRETARIAT THAT GOA OFFICIAL FORECASTS FOR GROWTH OF EXPORTS AND GNP WOULD HAVE TO BE REVISED DOWNWARD IN LIGHT OF MORE PESSIMISTIC OUTLOOK FOR OECD-AREA TRADE. GOA EXPECTS REVISE ITS MARCH FORECASTS IN LATE JUNE TO SHOW ZERO GROWTH IN EXPORT VOLUMES AND ABOUT 1.5 PERCENT GROWTH OF GNP. AUSTRIANS OPTIMISTIC ABOUT PROSPECTS FOR GRADUAL REDUCTION OF PRICES AND WAGES IN 1975. CURRENT ACCOUNT DEFICIT EXPECTED TO REMAIN UNCHANGED FROM 1974 AT APPROXIMATELY AS9.3 BILLION. EDRC CHAIRMAN CHARACTERIZED RECENT AUSTRIAN ABILITY TO INSULATE ITSELF FROM PRICE AND RECESSIONARY TRENDS ELSEWHERE AS REMARKABLE ACHIEVEMENT FOR SMALL
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 OECD P 14970 01 OF 02 102207Z

COUNTRY, BUT WARNED THAT RECENT WAGE CATCH-UP EFFECT

REQUIRED CAUTIOUS DEMAND MANAGEMENT POLICY AND CONTINUED EFFORTS TO CONTAIN INFLATION. END SUMMARY.

2. GENERAL OUTLOOK: AUSTRIANS MANAGED TO AVOID TALKING ABOUT SHORT-TERM DEMAND AND PRODUCTION PROSPECTS UNTIL LATE IN DAY WHEN EDCR MEMBERS POSED DIRECT QUESTIONS ON THIS SUBJECT. AUSTRIANS SAID THEY WERE PREPARED LATER THIS MONTH TO REVISE DOWNWARDS OFFICIAL GOA FORECAST FOR REAL GNP FROM PRESENT 2.5 PERCENT TO ABOUT 1.5 PERCENT GROWTH IN 1975. THIS CONTRASTS WITH SECRETARIAT VIEW, REJECTED BY AUSTRIANS, THAT 0.5 PERCENT GROWTH IS MORE REALISTIC OUTLOOK IN VIEW OF DETERIORATING INVESTMENT OUTLOOK AND WEAK EXPORT PROSPECTS.

3. AUSTRIANS AGREED THAT THEY WOULD HAVE TO REVISE DOWNWARDS THEIR FIGURES FOR PRIVATE DEMAND AND INVESTMENT, BUT SUPPORTED THEIR MORE FAVORABLE OUTLOOK BY NOTING AS9 BILLION STIMULUS TO CONSUMPTION RESULTING FROM TAX REFORMS AND AS2.2 BILLION STIMULUS TO INVESTMENT FROM CONTINGENCY BUDGET. U.S. DEL QUESTIONED WHETHER INVESTMENT INCENTIVES WOULD HAVE DESIRED EFFECT DURING PERIOD OF SLACK DOMESTIC AND EXTERNAL DEMAND, TO WHICH AUSTRIANS REPLIED THAT THEY WERE LOOKING FOR SOME DEMAND RECOVERY LATER IN YEAR.

4. PRICES AND WAGES: AUSTRIANS EXPECT 14 PERCENT INCREASE IN UNIT LABOR COSTS AND 9 PERCENT RISE IN CPI FOR 1975 AS A WHOLE. HOWEVER, THEY NOTED THAT WAGE ROUND HAS BEEN CONCLUDED FOR THIS YEAR AND ARGUED THAT GRADUAL DECELERATION OF PRICE INCREASES (TOGETHER WITH DECLINING UNIT LABOR COSTS AS OUTPUT AND PRODUCTIVITY IMPROVE) WILL CREATE BASIS FOR RENEWAL OF TRADITIONAL LABOR UNION RESTRAINT AT NEXT YEAR'S BARGAINING ROUND. AUSTRIANS DID NOT RESPOND TO U.S. SUGGESTION THAT PRICE AND INCOMES POLICY HAD BOUGHT RESTRAINT IN 1973-74 BUT HAD TRIGGERED CATCH-UP WAGE REACTION IN

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 OECD P 14970 02 OF 02 102209Z

72

ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

EA-06 FRB-03 INR-07 IO-10 NEA-10 NSAE-00 OPIC-03

SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01 OMB-01 FEA-01

AGR-05 DODE-00 H-02 INT-05 L-03 NSC-05 PA-01 SS-15

STR-04 TAR-01 USIA-06 PRS-01 /123 W

----- 122431

R 102155Z JUN 75

FM USMISSION OECD PARIS

TO SECSTATE WASH DC 7474

INFO AMEMBASSY VIENNA

LIMITED OFFICIAL USE SECTION 02 OF 02 OECD PARIS 14970

1974-75 WHICH WORKED AGAINST SIGNIFICANT REDUCTION OF INFLATION RATE DURING SLACK PERIOD OF ECONOMIC ACTIVITY. U.S. AND SWISS DELS EXPRESSED CONCERN THAT INFLATION RATE WAS NOT LOW ENOUGH FOR BOTTOM OF BUSINESS CYCLE AND THAT SUBSEQUENT RECOVERY MIGHT LEAD TO NEW ROUND OF PRICE PRESSURES.

5. POLICY STANCE: AUSTRIANS MADE CLEAR IN REPLIES TO U.S. AND SWISS REMARKS ON INFLATION THAT AUSTRIA NOT PREPARED TO ACCEPT MUCH INCREASE IN UNEMPLOYMENT ABOVE PRESENT LEVELS IN ORDER TO HOLD DOWN INFLATION. AUSTRIAN EXPERTS AGREED WITH SECRETARIAT THAT FURTHER STIMULATION OF ECONOMY WOULD BE NEITHER DESIRABLE NOR NECESSARY UNLESS EXPECTED RECOVERY OF EXTERNAL DEMAND IN LATTER PART OF YEAR WERE TO BE DELAYED. THEY CONSIDER APRIL MEASURES TO BE SUFFICIENT FOR NOW, AND THEY DEFENDED AS20 BILLION GOVERNMENT DEFICIT AS BEING APPROPRIATE LEVEL OF STIMULUS IN RECESSIONARY PERIOD.
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 OECD P 14970 02 OF 02 102209Z

6. BALANCE OF PAYMENTS: AUSTRIANS DID NOT ACCEPT SECRETARIAT FORECAST OF 3 PERCENT DECLINE IN EXPORT VOLUMES, DESPITE FACT THAT EXPORTS FALLING BY 8-9 PERCENT IN FIRST THREE MONTHS OF 1975. HOWEVER, GOA EXPERTS DID SAY THAT OFFICIAL FORECAST OF 3.5 PERCENT VOLUME GROWTH OF EXPORTS WOULD BE ADJUSTED DOWNWARDS TO ABOUT ZERO GROWTH IN VIEW OF WEAKER OECD-AREA TRADE PROSPECTS. THEY ALSO REJECTED SECRETARIAT ASSUMPTION THAT RISING UNIT LABOR COSTS WOULD LEAD TO LOSS OF COMPETITIVENESS IN FOREIGN MARKETS ON BASIS THAT EARLIER

GAINS LEFT AUSTRIA IN CONTINUED STRONG POSITION.
AUSTRIANS HOPE FOR CONTINUED RISE IN EXPORTS TO EASTERN
EUROPE, AND EXPECT IMPROVEMENT IN TOURIST EARNINGS IN
1975. THEY ESTIMATE RESULT WILL BE ABOUT AS9.3 BILLION
CURRENT ACCOUNT DEFICIT, SAME AS 1974. AUSTRIA DOES NOT
FORESEE ANY DIFFICULTY IN FINANCING THIS DEFICIT THROUGH
CAPITAL INFLOWS.
KATZ

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, GNP, ECONOMIC DATA, ECONOMIC ESTIMATES, PRICES, FOREIGN TRADE, BALANCE OF PAYMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 10 JUN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975OECDP14970
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750202-0689
From: OECD PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750665/aaaacgxcg.tel
Line Count: 177
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 USOECD 13812
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 09 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09 APR 2003 by ElyME>; APPROVED <22 SEP 2003 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: RESULTS OF EDRC REVIEW OF AUSTRIA, JUNE 4
TAGS: ECON, AU, OECD
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006